

Net Returns More Than Tripled; Residual Returns Positive

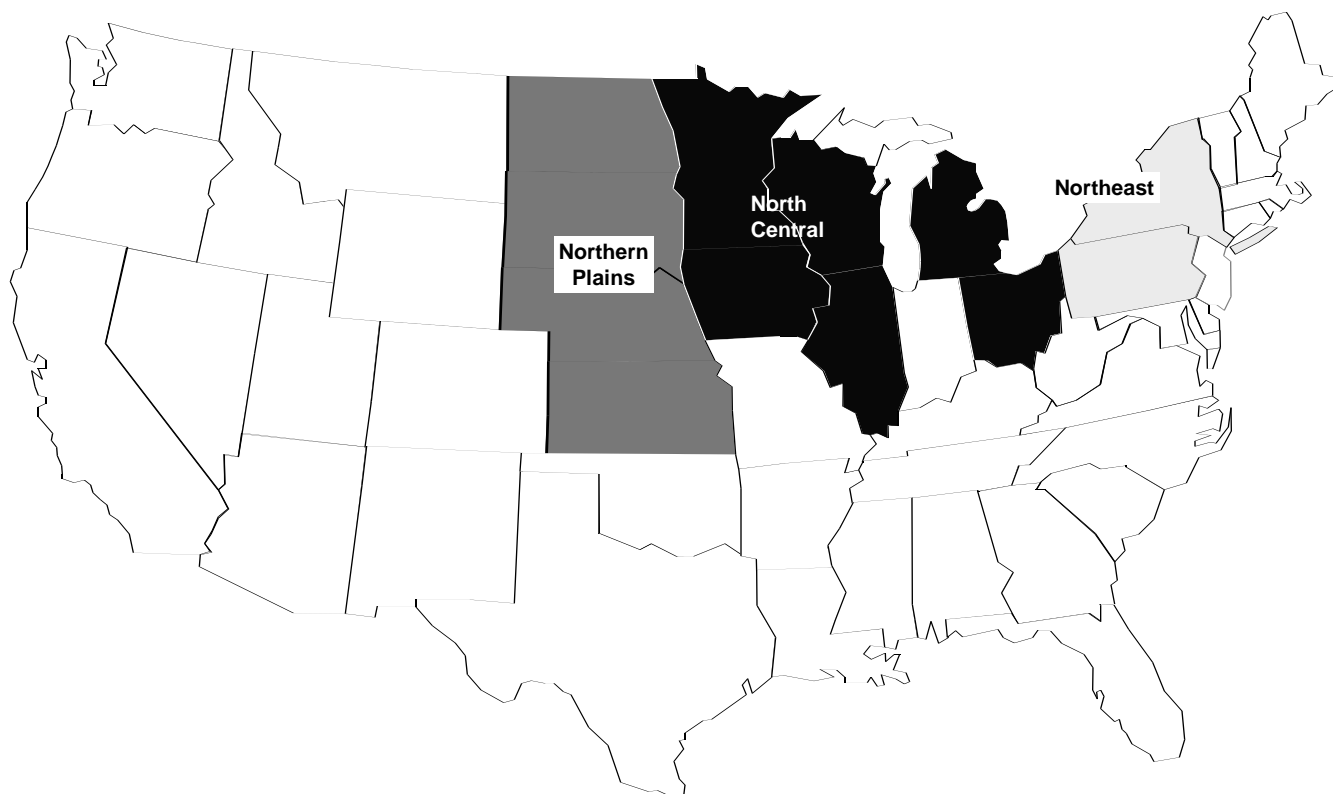
Production continued to slide in 1996 as seeded area fell 26 percent and yields per planted acre increased just 6 percent. As a result, oat prices were up substantially in 1996. Higher values for both grain and straw boosted the total value of production. With value of production strongly exceeding a rise in costs, net returns more than tripled and residual returns to management and risk moved from negative to positive on a national level. Much of the increase in costs was due to higher prices for seed and fuel.

The Northeast region continued to have the highest value of production in 1996 because of higher oat

prices. Value of production remained lowest in the Northern Plains because of lower grain prices and lower straw value. Improved yields in the North Central region and Northern Plains compared with the Northeast allowed these regions to move closer to the Northeast in 1996 value of production.

Costs continued to be highest in the Northeast and lowest in the Northern Plains. Lower costs and higher yields in the Northern Plains and North Central regions compared with the Northeast moved these areas ahead of the Northeast in residual returns to management and risk in 1996.

Figure 8-8
Oat production regions



Notes: Shading and patterns indicate production regions where producers were surveyed in 1994 about production practices and costs of production. Production regions are defined for each crop based on common cultural practices.

Table 8-8A—Oat production cash costs and returns, excluding direct government payments, 1995-96

Item	United States		Northeast		North Central		Northern Plains	
	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>								
Gross value of production (excluding direct government payments):								
Oats	72.87	128.26	86.00	125.37	71.40	119.06	59.55	115.37
Oat straw	27.51	32.03	36.17	42.11	37.98	44.21	7.66	8.92
Total, gross value of production	100.38	160.29	122.17	167.48	109.38	163.27	67.21	124.29
Cash expenses:								
Seed	7.46	8.81	12.14	15.13	8.91	9.67	4.59	6.21
Fertilizer, lime, and gypsum	15.76	17.05	22.44	30.38	20.61	20.12	8.64	10.25
Chemicals	1.72	1.82	2.73	2.88	1.19	1.26	2.18	2.3
Custom operations ¹	4.30	4.33	4.89	4.91	5.69	5.75	2.42	2.42
Fuel, lube, and electricity	6.38	7.41	10.24	12.38	4.08	4.19	7.57	9.78
Repairs	10.31	9.63	13.70	11.51	8.03	6.50	11.61	12.35
Hired labor	1.76	1.93	2.84	3.12	1.58	1.73	0.32	0.35
Other variable cash expenses ²	1.02	1.19	1.25	1.46	1.40	1.63	0.34	0.40
Total, variable cash expenses	48.71	52.17	70.23	81.77	51.49	50.85	37.67	44.06
General farm overhead	5.65	5.29	8.42	7.88	4.83	4.52	3.43	3.21
Taxes and insurance	13.88	14.85	21.00	22.10	19.00	20.15	7.00	7.75
Interest	5.57	5.49	5.34	5.27	6.22	6.14	5.17	5.10
Total, fixed cash expenses	25.10	25.63	34.76	35.25	30.05	30.81	15.60	16.06
Total, cash expenses	73.81	77.80	104.99	117.02	81.54	81.66	53.27	60.12
Gross value of production less cash expenses	26.57	82.49	17.18	50.46	27.84	81.61	13.94	64.17
Harvest-period price (dollars/bu)	1.30	2.16	1.52	2.32	1.28	2.02	1.15	1.92
Yield (bu/planted acre)	56.05	59.38	56.58	54.04	55.78	58.94	51.78	60.09

Table 8-8B—Oat production economic costs and returns, excluding direct government payments, 1995-96

Item	United States		Northeast		North Central		Northern Plains	
	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>								
Gross value of production (excluding direct government payments):								
Oats	72.87	128.26	86.00	125.37	71.40	119.06	59.55	115.37
Oat straw	27.51	32.03	36.17	42.11	37.98	44.21	7.66	8.92
Total, gross value of production	100.38	160.29	122.17	167.48	109.38	163.27	67.21	124.29
Economic (full ownership) costs:								
Variable cash expenses	48.71	52.17	70.23	81.77	51.49	50.85	37.67	44.06
General farm overhead	5.65	5.29	8.42	7.88	4.83	4.52	3.43	3.21
Taxes and insurance	13.88	14.85	21.00	22.10	19.00	20.15	7.00	7.75
Capital replacement	18.58	17.33	21.24	17.84	14.94	12.10	20.62	21.92
Operating capital	0.70	1.22	1.10	2.08	0.80	1.29	0.59	1.12
Nonland capital	11.43	10.82	12.78	12.09	11.07	10.48	11.80	11.17
Land	26.72	27.83	5.76	6.00	35.61	37.08	21.55	22.44
Unpaid labor	14.30	15.85	19.05	20.91	18.66	19.94	8.58	10.27
Total, economic (full ownership) costs	139.97	145.36	159.58	170.67	156.40	156.41	111.24	121.94
Residual returns to management and risk	-39.60	14.93	-37.41	-3.19	-47.02	6.86	-44.03	2.35
Harvest-period price (dollars/bu)	1.30	2.16	1.52	2.32	1.28	2.02	1.15	1.92
Yield (bu/planted acre)	56.05	59.38	56.58	54.04	55.78	58.94	51.78	60.09

¹Cost of custom operations and technical services.²Cost of baling.

Source: Economic Research Service, U.S. Department of Agriculture.